

SHORELINE SCHOOL DISTRICT NO. 412
King County, Washington
September 1, 1995 Through August 31, 1996

Schedule Of Findings

1. Internal Controls Over Cash Receipts Should Be Strengthened

During our testing of internal controls at the district's school buildings, we noted the following internal control weaknesses over cash receipting:

- a. Money received was not always recorded on official district receipts (in some instances unofficial, improper receipts were used, and at other times no receipts were issued).
- b. The mode of payment was not consistently noted on receipts.
- c. Receipt book usage was not recorded on logs.
- d. The audit trail between receipts written at the schools and the money the schools transmitted to the district was not adequate.
- e. Unused receipts were not properly voided and all copies of voided receipts were not retained.
- f. Checks were not restrictively endorsed at the time of receipt.
- g. Safe combinations were not periodically changed.

The Superintendent of Public Instruction promulgates rules and regulations for school districts under the authority of RCW 28A.505.140. Those rules and regulations are contained in the *Accounting Manual for Public School Districts in the State of Washington*.

Chapter III, Section G-3 of the manual states in part:

Each public school district is responsible for the establishment of procedures for the daily collection of cash, other forms of money, and for the issuance of payee receipts consistent with reliable internal control processes.

Staff responsible for cash receipting at the schools we tested were unaware of the district's required internal control procedures or did not have time to perform them.

Poor internal controls result in decreased accountability over cash receipts and an increased risk that error and irregularities may occur and not be detected in a timely manner, if at all. Furthermore, inadequate records increase audit costs as additional time is required to determine the accountability of public funds.

We recommend the district improve the training and supervision provided to staff assigned to cash receipting functions and improve its receipting system by implementing the following internal controls:

- a. Record all money received on official prenumbered district receipt forms.
- b. Note cash and check composition on all receipts.
- c. Record the use of all district receipt books on logs.
- d. Provide an audit trail between receipts written and money transmitted.
- e. Void and retain all copies of unused receipts.
- f. Restrictively endorse all checks at the time of receipt.
- g. Periodically change safe combinations.

2. Internal Controls Over Associated Student Body Fund Raising Activities Should Be Improved

Our audit of financial activities conducted by the Associated Student Body (ASB) disclosed the following internal control weaknesses:

- a. Administrative oversight was lacking.
- b. Gross profit percentage testing was not performed on all significant fundraising activities.
- c. Revenues from athletic event ticket sales were not properly secured.
- d. Imprest Fund payments were not always supported by an original invoice.
- e. Employee requests for reimbursement of supply expenses, processed through the ASB imprest account, were not processed on district forms.
- f. Purchases greater than the \$200 Imprest Fund maximum were split to avoid district purchasing procedures.
- g. ASB expenditures for group meals were not supported by identification of individuals participating in the meals.

The *Accounting Manual for Public School Districts in the State of Washington*, Chapter III, requires the district to install and maintain a system of internal controls adequate to ensure that resource use is consistent with law, regulation, and policy; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

Shoreline School District has adopted the Washington Association of School Business Officials' *ASB Procedures Manual* which provides detailed and adequate guidance for providing internal control over ASB activities. When prescribed standards are not followed, the risk increases that an error or irregularity could occur and not be discovered by management in a timely manner.

Staff responsible for ASB activities at the schools we tested were unaware of the district's required internal control procedures or did not have time to perform them.

Because of the lack of proper documentation, the quantity of merchandise sold, and the completeness of revenue collected and deposited, could not be verified. In addition, inadequate documentation of expenditures fails to demonstrate the public purpose and validity of such expenditures.

We recommend the district improve internal controls over ASB activities.

We further recommend the district monitor ASB activities on an ongoing basis to ensure controls are in place and any discrepancies are corrected in a timely manner.

Auditee's Response

The district agrees internal controls over cash receipts and ASB fund raising activities should be strengthened and will implement the recommendations where economically feasible.

Auditor's Concluding Remarks

Based upon the response, the issues delineated in our report are being addressed. We will review these areas again in our subsequent audit.

We would like to express our appreciation to staff for their assistance and cooperation throughout the audit process.